

Part 2 : Chapter 16 - Sri Lanka

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| journal or publication title | Yearbook of Asian Affairs 2006 |
| page range | 507-540 |
| year | 2007 |
| URL | http://hdl.handle.net/2344/00010527 |

Chapter 16

SRI LANKA

Democratic Socialist Republic of Sri Lanka

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| Area: | 65,600 km ² |
| Population: | 19.67 million (2005 estimate) |
| Capital: | Sri Jayewardenepura Kotte (Colombo is the location of the Office of the President) |
| Language: | Sinhala, Tamil, and English |
| Religion: | Buddhism, Hinduism, Islam, and Christianity (Catholicism and Protestantism) |
| Government type: | Republic |
| Chief of state: | President Mahinda RAJAPAKSA |
| Currency: | Sri Lankan rupee (LKR) (US\$1 =100.49 rupees; 2005 average) |
| Fiscal year: | Calendar year |

Stalled Tsunami Reconstruction and Peace on the Verge of a Crisis

ETSUYO ARAI

The issue of highest importance in 2005 was reconstruction following the tsunami that struck Sri Lanka at the end of 2004. However, due to the delay in coordination within the government and consensus building with the Liberation Tigers of Tamil Eelam (LTTE), the government did not submit the Post-Tsunami Organisational Management Structure (P-TOMS) until June. Then, implementation of it was shelved when the Supreme Court declared it unconstitutional.

With regard to peace, there was concern that the civil war might resume because the government and the LTTE criticized each other for violation of the Ceasefire Agreement. Furthermore, the assassination of Foreign Minister Kadirgamar in August by the LTTE dealt a decisive blow to peace. From December, clashes frequently occurred in the north and east regions, and the LTTE even mobilized students and ordinary citizens.

In November, the presidential election was held, and Mahinda Rajapaksa, a candidate of the Sri Lanka Freedom Party (SLFP), won by a slim margin over Ranil Wickremasinghe of the United National Party (UNP) and assumed office as the fifth president. Prior to the election, Mahinda signed an election agreement with the Janatha Vimukthi Peramuna (JVP) and the Jathika Hela Urumaya (JHU). The agreement, given its hard-line stance toward the peace process up to that point as shown in its statements opposing the federal system, was considered to be skeptical of peace. However, following President Mahinda's assumption of office, a conference of all political parties was held and an attempt was made to reach "southern consensus," and so it appears that constructive efforts for peace are being made.

In economic aspects, rising prices were feared due to higher oil prices and tsunami reconstruction. However, inflation was avoided thanks to the central bank's active financial policy and satisfactory agricultural production, and the GDP growth rate is estimated at 5.9 percent.

DOMESTIC POLITICS

Joint Mechanisms Established for Tsunami Reconstruction

It was clear from the very beginning that, due to the massiveness of the damage, it would be impossible for either the government or the LTTE to tackle tsunami reconstruction single-handedly. Furthermore, just after the tsunami occurred, the two sides were seen assisting each other by supplying goods, etc., and so hope was held for a reconstruction through mutual cooperation as well as an opportunity for resumption of the peace negotiations which had been deadlocked since April 2003. However, LTTE's political wing leader S.P. Thamilselvan, referring to the fact that UN Secretary-General Kofi Annan had not entered the LTTE-controlled area when he visited Sri Lanka on January 15 and the claim that relief goods were not being sufficiently delivered to the LTTE-controlled area, said, "It has dashed hopes of reconciliation."

However, because the LTTE is banned by the United States and the United Kingdom, countries and institutions providing aid cannot distribute funds directly to the LTTE. For this reason, a Joint Mechanism became necessary to distribute aid funds. Norway undertook the role of mediator, but very little progress was made.

In his speech for the new year in April, the president proposed the establishment of a "Joint Mechanism for Tsunami Reconstruction" (hereinafter referred to as the "Joint Mechanism") as the basis for finally resolving this long-standing conflict. Due to pressure from the international community to enable implementation of aid immediately, the president became proactive toward the establishment of a mechanism even if it entailed compromise with the LTTE, and she strongly wished to organize it prior to the Sri Lanka Development Forum to be held in May. Opposition to this was expressed by the domestic Sinhalese group composed mainly of JVP and JHU. Because these groups formed part of the coalition government, it was difficult to reach a decision without their agreement. Meanwhile, the LTTE had already said in mid-April that it

agreed with the Joint Mechanism plan, and it was becoming impatient with the government.

In June, the activity of the opposition faction grew even stronger, with hard-line stances displayed through the hunger strike of the deputy chairperson of the JHU at the Tooth Temple in Kandy and JVP's intimidating hints of withdrawal from the coalition. Furthermore in mid-June, the JVP held a large-scale rally in Colombo and 39 JVP members of Parliament withdrew from the coalition. Amidst the opposition of the Sinhalese group, the Joint Mechanism proposal was submitted to the Parliament on June 24 under the title of Post Tsunami Organisational Management Structure (P-TOMS). Because the JVP strongly opposed it and repeatedly interrupted the Speaker, the Parliament was adjourned. Outside the Parliament as well, students assembled and the disorder reached extremes, with the police firing shots. Because all the political parties except JVP agreed to the establishment of P-TOMS despite the fact that almost no debate had been conducted in the Parliament, it was announced on June 25 that the government and the LTTE had signed P-TOMS.

The JVP and JHU were strongly opposed, but the government insisted that establishment of the Joint Mechanism was a necessity and that the proposed content was realistic. This was because countries and institutions providing aid could not, for the reason stated above, offer funds directly to the LTTE. Furthermore, even the Sri Lankan government wished to avoid providing funds directly to the LTTE because that would unnecessarily acknowledge the LTTE's right to negotiate with foreign countries as well as lead to higher international recognition of the LTTE. Even so, the tsunami victims in the LTTE-controlled area could not simply be ignored. In P-TOMS, the government positioned the LTTE as one of the executing agencies, but makes no mention of giving the LTTE authority. The government thought that it could use this opportunity to draw the LTTE into the democratic process and make progress toward peace. However, what was problematic for the Sinhalese group about P-TOMS was the very authority given to the LTTE.

The government positioned P-TOMS purely as mechanism for implementing reconstruction aid and considered the LTTE as one of the constituent agents. That is to say, P-TOMS was managed by institutions at three levels, the District Committee, the Regional Committee, and the High-Level Committee. The function of the District Committees was to gather information on reconstruction needs from various related persons, prioritize those needs, and submit a reconstruction plan to the Regional

Committees. According to the government, District Committees are the central organizations in the implementation of reconstruction, with “99 percent of the relief efforts and reconstruction work” being carried out by district-level government agencies and NGOs. Members of the District Committees were appointed by the president, but no LTTE members were included among them. Even if groups close to the LTTE were included, the LTTE itself was not included, and so it was considered politically safe.

In response, the opposition faction regarded the LTTE's role in the Regional Committees as important. The job of the Regional Committees was to prioritize the aid implementation plans submitted by the District Committees, approve them, and apportion funds. Of the 10 members of the Regional Committees, five were from the LTTE, and the remainder was representatives of the government and Muslim residents. The chairperson was also selected from among the LTTE members. The JVP, JHU, and the media were concerned that the LTTE would exploit this authority. They also adopted a hard-line stance with regard to the secession and independence of the LTTE and criticized P-TOMS as “infringing on the sovereignty of the nation of Sri Lanka.”

One problem in P-TOMS was its lack of consideration for regional differences. There was a majority of Tamil residents in the districts of Mullaitivu and Kilinochchi, and these districts were actually under the control of the LTTE. However, in the districts of Ampara, Batticaloa, Trincomalee, and Jaffna, the LTTE was not necessarily in control. In spite of this, P-TOMS prescribed the LTTE's status as the same in all districts. Those who argued against P-TOMS asserted that there were worries about the rights of Muslim and Sinhalese residents in the areas not controlled by the LTTE in the north and the east. The leader of the Sri Lanka Muslim Congress (SLMC), Rauff Hakeem, protested that no Muslim resident was included among the signatories of P-TOMS and that Muslim residents were not a minority that needed protection in Ampara and Batticaloa, etc., and he declared a boycott of P-TOMS. From the end of June through July, Muslim residents in all parts of eastern Sri Lanka frequently held protest gatherings against P-TOMS.

JVP members of Parliament claimed in court that P-TOMS, which had required more than six months from the occurrence of the tsunami and involved many complications to achieve, was unconstitutional and invalid. The Supreme Court pointed out two problem points in P-TOMS in July. The first was a problem with the establishment of a Regional Committee in Kilinochchi. Access would be difficult if a committee with

the authority to approve reconstruction projects was established in Kilinochchi, an LTTE-controlled area, as prescribed by the mechanism plan, and so there was concern that the opinions of minority groups would not be respected in the decision-making process. The second problem pointed out by the court was that, in P-TOMS, an international institution was supposed to manage the regional funds for the project implementation, but an auditor should handle this responsibility to ensure transparency and accountability. The Supreme Court ordered that fund operation under this framework be frozen for the time being until the court issues its final decision on whether or not the operation of P-TOMS violates the Constitution.

Subsequently, the newly inaugurated President Mahinda set up the Reconstruction and Development Agency (RDA) on December 1 as the institution for reconstruction and development in place of P-TOMS. A businessman said to be close to the LTTE assumed the position of representative. It turned out that the JVP and JHU, who had vehemently opposed the establishment of P-TOMS, quietly watched the establishment of this agency. It is said that the difference in their attitude was due to the fact that, whereas P-TOMS was an initiative of a president near the end of her term, the RDA was established by a president who had just been inaugurated.

Presidential Election

The president of Sri Lanka is limited to two terms of six years each, and a third term is forbidden. President C.B. Kumaratunga was inaugurated in October 1994, and she was reelected in the presidential election that was held one year early, in December 1999. Consequently, Kumaratunga's second term of office was to last for six years from the second election, until the end of 2005. However, Kumaratunga insisted that she should serve the full 12 years of two terms, until the end of 2006. In this regard, the Supreme Court issued a judgment on August 26 that a presidential election should be held at the end of 2005. Several weeks before the Supreme Court's decision, both the ruling and the opposition parties had informally decided on candidates, and they had begun to organize in anticipation of the election.

Mahinda Rajapaksa of the SLFP approached the JVP and JHU from around the time of the Supreme Court decision, pursued negotiations during the period when President Kumaratunga was visiting China (August 30 to September 4), and by September 5 the JVP has already

announced its support, with conditions attached, for Mahinda. Those conditions took a hard line toward the LTTE and included the cancellation of P-TOMS, preservation of a unified nation, and review of the role of the 2002 Ceasefire Agreement and the role of Norway as mediator. Likewise, an election agreement was signed on September 13 with JHU, which had indicated doubts concerning the LTTE and the peace process heretofore.

Registration of candidates closed on October 7, and then the real campaign began in preparation for voting day on November 17. There were 13 candidates, but the campaign became a single combat between Mahinda Rajapaksa of the SLFP and Ranil Wickremasinghe of the UNP. Violence during the campaign period was feared, but as a result of unprecedentedly tough regulations, such as restrictions on where election posters could be displayed by registered candidates, there was little trouble among supporters of different candidates.

With regard to peace, which was the largest point of contention, Mahinda demanded that Sri Lanka be a unitary state and brought up doubts over the role of Norway which had been the mediator since 1999, and he asserted that a change was needed. Furthermore, he denied the possibility of a federation, which has been regarded as the most likely prospect for a political resolution to the ethnic conflict and with which the LTTE had once been close to agreement. He was rigidly uncompromising toward the LTTE, proposing disarmament prior to negotiations, negotiations conducted within a predetermined limited time frame, and reconsideration of the February 2002 Ceasefire Agreement and role of Sri Lanka Monitoring Mission (SLMM). Meanwhile, Ranil respected the outcomes of previous negotiations such as the Oslo Declaration and the Tokyo Declaration. In short, Ranil adopted a stance of searching for a final resolution through constitutional amendment and national referendum under a framework based on a federation, and his stance included the boosting of the efficiency of the monitoring system together with strengthening the existing Ceasefire Agreement. In the area of the economy, whereas Mahinda was advocating opposition to privatization of banks, electric power, transportation, and ports, etc., Ranil supported the continued implementation of an open policy.

In addition to these policies, there was another major difference between the two candidates. Ranil supported the continuation of the existing peace process. In contrast, Mahinda appealed to the electorate with the message "A new beginning, a new Sri Lanka." Because Mahinda

had not been involved in the peace process and devolution conducted up until then, he was able to approach the debate in a different fashion. With regard to the election campaign as well, whereas the UNP conducted its campaign primarily through media such as television and newspapers, Mahinda traveled to villages together with the JVP and deployed an anti-LTTE campaign. The JVP, with which Mahinda had signed an election agreement, excelled at this kind of strategy.

Differences in the characters of Mahinda and Ranil can also be pointed out. Mahinda appealed with his proximity to the people. In contrast to Ranil, who had an image of being from the elite class in Colombo and unable to mingle with ordinary people, many people felt close to Mahinda because he was from the south and spoke Sinhalese better than English.

In the initial phase of the election campaign, discord was heard from within the SLFP. In short, it was due to the fact that Mahinda has concluded an election agreement on his own initiative with the JVP and JHU while President Kumaratunga was visiting China. Sufficient debate had not been conducted within the SLFP concerning the election agreement. President Kumaratunga displayed strong disapproval when she returned and announced in a letter that the election agreement “completely violates party regulations.” Subsequently, however, President Kumaratunga said to the state-owned media, “I fully support Mahinda as the SLFP presidential candidate,” but she was not actively involved in supporting Mahinda’s campaign and instead was traveling elsewhere during important periods in the campaign.

The LTTE Strategy and the Election Results

The contest was almost even between Mahinda, who had the support of Sinhalese who wanted to elect the first president from the south, and Ranil, who had the support of urban Sinhalese and Muslims, and so the vote of the Tamils was considered decisive in determining the outcome. The Tamils in the north and the east were thought to support Ranil, who was enthusiastic about the existing peace process. The reason they supported Ranil is that, during the UNP administration from December 2001 to February 2004, then Prime Minister Ranil effected the Ceasefire Agreement and then held negotiations six times. Contrarily, the SLFP was critical, saying that the UNP’s negotiation methods made too many compromises to the LTTE. Consequently, for the LTTE, the negotiating partner who was agreeable was the UNP, and it was thought that the LTTE would support the UNP.

However, the LTTE announced publicly on November 6 that it would remain neutral with regard to the elections. In an interview, Thamilchelvan said that he had “no interest” in the Sinhalese election. The LTTE did not use violent methods against the Tamil residents in the north, but it clearly pressured them to abstain from voting. As a result, the voter turnout in the north and east was extremely low, at 1.1 percent in Jaffna and 1.3 percent in Mullaitivu.

As a result, Mahinda secured victory with 4.88 million votes (50.3 percent of valid votes), but he won by only 180,000 votes over Ranil, who received 4.70 million votes (48.4 percent) (see Table 16.1). The result may have been different if the Tamils, who number 700,000 in Jaffna alone, had voted.

The background for the LTTE's non-support of Ranil can be detected in the speech by Prabhakaran (see below) during Hero's Week and the speech by Anton Balasingham, a political advisor to the LTTE who lives in London. The LTTE's lack of trust in Ranil is made clear in these speeches. In short, despite the fact that there was some sort of agreement concerning self-government of the north and east made between the UNP and LTTE prior to the 2001 Parliamentary elections, Ranil did not abide by that agreement, and moreover he caught the LTTE in a trap by inviting the international community to become involved in the Sri Lankan peace process. In other words, the LTTE thinks that it lost freedom to act due to the intervention of the international community. In addition to that, it is held that this situation incited LTTE Colonel Karuna, leading to a split of the LTTE and throwing it into confusion.

On the other hand, there is also the view that sees the LTTE as having made a clever choice in its response to the international community. For example, the LTTE leader Balakumaran claims that, through this election, the intentions of the Sinhalese with regard to the Tamil problem became clear. In other words, in this election where almost no Tamils participated, the defeat of Ranil, who was enthusiastic about resolving the problem through dialogue, proves that the Sinhalese are taking a hard-line stance with regard to resolution of the Tamil problem. The LTTE was satisfied with the election result because it showed clearly to the international community the “hard-line intentions of the Sinhalese majority.” The election results did not reflect the will of the Tamil people because the LTTE essentially prevented voting by the Tamils. However, no specific violence or threats have been revealed, and so the international community was unable to censure the LTTE.

Table 16.1. Votes and Turnout by District in the Presidential Elections

| District | Mahinda | | Ranil | |
|----------------|-----------|-----------|-----------|-----------|
| | Number | Share (%) | Number | Share (%) |
| Western: | | | | |
| Colombo | 534,431 | (47.96) | 569,627 | (51.12) |
| Gampaha | 596,698 | (54.78) | 481,764 | (44.23) |
| Kalutara | 341,693 | (55.48) | 266,043 | (43.20) |
| Central: | | | | |
| Kandy | 315,672 | (44.30) | 387,150 | (54.33) |
| Matale | 120,533 | (48.09) | 125,937 | (50.25) |
| Nuwara Eliya | 99,550 | (27.97) | 250,428 | (70.37) |
| Southern: | | | | |
| Galle | 347,233 | (58.41) | 239,320 | (40.26) |
| Matara | 279,411 | (61.85) | 165,837 | (36.71) |
| Hambantota | 202,918 | (63.43) | 112,712 | (35.23) |
| Northern: | | | | |
| Jaffna | 1,967 | (25.00) | 5,523 | (70.20) |
| Vavuniya | 17,197 | (20.36) | 65,798 | (77.89) |
| Eastern: | | | | |
| Batticaloa | 28,836 | (18.87) | 121,514 | (79.51) |
| Digamadulla | 122,329 | (42.88) | 159,198 | (55.81) |
| Trincomalee | 55,680 | (37.04) | 92,197 | (61.33) |
| North Western: | | | | |
| Kurunegala | 468,507 | (52.26) | 418,809 | (46.72) |
| Puttalam | 160,686 | (48.14) | 169,264 | (50.71) |
| North Central: | | | | |
| Anuradhapura | 231,040 | (55.08) | 182,956 | (43.62) |
| Polonnaruwa | 110,499 | (52.61) | 97,142 | (46.25) |
| Uva: | | | | |
| Badulla | 192,734 | (45.18) | 226,582 | (53.11) |
| Moneragala | 126,094 | (56.94) | 92,244 | (41.65) |
| Sabaragamuwa: | | | | |
| Ratnapura | 294,260 | (53.01) | 252,838 | (45.55) |
| Kegalla | 239,184 | (51.02) | 223,483 | (47.67) |
| Total | 4,887,152 | (50.29) | 4,706,366 | (48.43) |

Source: Compiled by the author from <http://www.srilankanelections.com>.

Note: Shaded areas indicate the candidate with the most votes in each district.

Happenings following the Election of the New President

Following the swearing-in ceremony on November 19, the new President Mahinda called on LTTE to restart peace talks to discuss revision of the Ceasefire Agreement. In December, the president requested the Norwegian government to continue in the future in its role as mediator in the peace process. Here not only did the president not use the word “unitary state” which he had used during the campaign, he even referred to devolution of power. Nor did he refer to a time limit for negotiations. This was interpreted as an effort to change to a more practical course.

It may be necessary to consider the fact that the JVP and the JHU are included in the new government. The United States and other countries are plainly cautious about this point. However, there are times when even the JVP and the JHU display a flexible stance toward a federal system. Furthermore the government also has the support of many political parties and groups in addition to the JVP and the JHU. It may appear to be extremely difficult to compile the broad variety of opinions of these entities, but conversely the possibility cannot be ignored that such elements may work to an advantage in the future. This is because the so-called “southern consensus” has been ignored in the peace process up to now. If the “southern consensus” recognizes a federal system, even if some time is required to reach that consensus, then the basis for negotiations will most likely be strengthened.

Internal Split of LTTE

Peace negotiations have been stalled since April 2003. Reasons include disorder of national politics, implementation of general elections (in April 2004), and failure by both side to fulfill the Ceasefire Agreement. However, the greatest of all the reasons was the worsening of the internal split of the LTTE.

Already in February, the eastern political leader of the LTTE was killed by a member of the Karuna group. This did not lead to a large-scale battle, but clashes occurred among opposed groups, and there were also deaths among civilians and journalists who supported the respective groups.

The LTTE claimed that the government was supporting the Karuna group. The government did not officially admit this. However, the government did indicate the view that groups formed after February 2002 were not obligated to follow the stipulation of the Ceasefire Agreement to disarm, and this obliquely gave approval to the activities of the Karuna group. This point is a major obstacle to the reopening of peace negotia-

tions. This is because the LTTE claims that it is the only representative of the Tamils and it seeks separate independence. Other Tamil groups are not permitted to criticize the LTTE. Of course the LTTE cannot support Ranil, who engineered the split. Among the LTTE's demands to the government, disarmament of all armed groups is included, and this clearly refers to none other than the Karuna group.

Assassination of the Foreign Minister

Another major obstacle to the progress of peace is the assassination of Foreign Minister Kadirgamar in August. He was shot from the house across from his as he came out of his swimming pool. Since Foreign Minister Kadirgamar's assumption of office in 1994, he had appealed vigorously to various governments to designate the LTTE as a banned group so that the LTTE's overseas bases of activity and fund procurement sources would be cut off. As a result, the LTTE was recognized as a terrorist organization and its activities were banned in Malaysia in 1996, in the United States in 1997, and in the United Kingdom in 2000. For this reason, it is said that Foreign Minister Kadirgamar, even though he was Tamil, was placed on the LTTE assassination list next after the president.

In her speech immediately after the assassination, the president did not criticize the LTTE by name, and she called on the people to remain calm. However, in the president's comments conveyed the following day by a government spokesperson, the LTTE was strongly criticized as "terrorists." The LTTE denied committing the crime on its own website and suggested that it may have been committed by a different organization since there are other groups that oppose the resumption of peace negotiations. However, LTTE is the only group in Sri Lanka that could possibly have carried out such a carefully planned crime.

Foreign Minister Kadirgamar was a Christian Tamil, and after receiving an education at a domestic university, he studied in the United Kingdom. At university there, he was one of the few Asians to become a student representative, and he became an attorney in the United Kingdom. Subsequently, he was also active in the International Labour Organization (ILO). Kadirgamar was known as a sportsman, and the people felt affection for him. It will be difficult to wipe away the people's distrust of the LTTE following his assassination. The EU hardened its attitude toward the LTTE following the assassination of Foreign Minister Kadirgamar and decided to ban the entry of LTTE members into EU countries. Since then, the EU has been studying designation of the LTTE as a banned group.

Despite the antipathy of the people, the government chose to continue negotiations with the LTTE, which was regarded with certainty as the assassin of Foreign Minister Kadirgamar. The statements of the government spokesperson say that the government's intention is to avoid at all costs the resumption of hostilities.

Speech by Prabhakaran and Clashes Starting in December

Every year at the end of November, the LTTE holds a "Hero's Week" to commemorate the birthday of Prabhakaran and those who have died in the civil war and suicide bombings. At that time, Prabhakaran customarily gives a speech. In his speech this time, while practically and realistically talking about Mahinda, who changed his policies after the presidential election, he demanded substantial measures for self government. Namely, he made it clear that "If the new government rejects our urgent appeal, we will, next year, in solidarity with our people, intensify our struggle for self-determination."

According to Prabhakaran's statement of "next year" in his speech, it seemed that the LTTE was behaving so as to give the government time to search for a political resolution. However shortly after the speech, on December 4, clashes began to erupt frequently in the north and east. Attacks were also conducted where land mines were planted to blow up military vehicles. Furthermore, the LTTE adopted a strategy different from its earlier one. In short, students and civilian organizations were mobilized; police and military facilities as well as government-related facilities were attacked in an effort to provoke a response from government forces. The LTTE called this the "people's war."

There were two reasons why the LTTE undertook these kinds of attacks. The first is that Mahinda, who took a rigidly uncompromising stance against the LTTE, has assumed office. If the government counter-attacked, the LTTE could make a case with the international community that the "belligerent government had launched an attack." Second, it is likely that the LTTE attacked because it considered itself to be superior to government forces in terms of equipment and quality of soldiers. As supporting evidence, it can be pointed out that the LTTE admitted to possessing aircraft as of March 2005. However, the military and the police did not overreact as the LTTE had hoped they would. They continued to respond calmly even in cases where previously panic would have ensued, which would have given the LTTE an advantageous excuse.

For this reason the critical situation became prolonged. To flee from the fighting and calamities accompanying it, Tamil people moved from the government-controlled area to the LTTE-controlled area. According to the United Nations High Commissioner for Refugees (UNHCR), 6,000 Tamil residents fled. Not only were there clashes as already mentioned between the LTTE, the military, and the Karuna group, but anti-LTTE Muslim groups also engaged in the melee, and conditions became rather grave in the north and east. According to the Sri Lanka Monitoring Mission (SLMM), the number of dead due to clashes between the LTTE with the government forces, police, and other anti-LTTE groups since December reached 120 persons.

ECONOMY

Due to favorable weather conditions and the effects of the ceasefire in the north and east, rice production increased 20.5 percent during the Maha 2004/5 (September 2004 to March 2005) and 28.7 percent during the Yala (April to August) 2005. The volume of rubber production was satisfactory, displaying an increase of 10.2 percent YOY, but tea, up 2.2 percent, and coconuts, down 7.7 percent, were in a slump. Production of agricultural products for domestic consumption was satisfactory and contributed to price stability.

The trade deficit increased 12.2 percent YOY. Although exports amounted to US\$6,346.70 million, an increase of 10.2 percent YOY, total imports were US\$8,863.20 million, a 10.8 percent increase, because imports of goods for tsunami reconstruction swelled and the value of crude oil imports increased 45 percent YOY due to higher oil prices. However, because remittances amounted to US\$1,968.00 million, an increase of 25.8 percent, the current account deficit shrank. The international balance of payments is expected to post a surplus of US\$500 million due to the influx of reconstruction funds from overseas. Foreign currency reserves as of December 2005 were US\$2.7 billion, equivalent to 3.7 months of imports (and as of December 2004 were US\$2.2 billion, equivalent to 3.3 months of imports).

Among Sri Lanka's export items, clothing has usually accounted for approximately 60 percent. The Multi-Fibre Agreement (MFA) was completely abolished at the end of 2004, and there was concern over the

potential effects of that. However, despite expectations to the contrary, exports of fiber products grew by 3.0 percent.

The economic growth rate in 2005 gradually rose, from 4.4 percent in the first quarter, to 6.0 percent in the second and 6.7 percent in the third. The growth rate for the first half of 2005 was 5.1 percent and for the year as a whole is estimated at 5.9 percent. Major contributions were made by service industries such as telecommunications, ports, and transportation and by the construction sector.

Prices skyrocketed in the first half of the year due to higher oil prices worldwide and demand from tsunami reconstruction. In the second half of the year, food prices cooled off, and the central bank actively conducted open market operations and also raised the policy interest rate a total of 1.25 percent over four times (in May, June, September, and December). Due to this, the inflation rate for the year as a whole settled at 11.8 percent.

Although there was concern that the tsunami would affect tourism, the annual number of tourists declined only 3.0 percent YOY, to 549,300. However, tourism income (US dollar base) dropped 20.7 percent YOY. This was due to the fact that the number of days spent per tourist was shorter than before. Moreover, there has not yet been a visible recovery in the number of tourists traveling to tourist spots in the disaster area.

State of Tsunami Reconstruction

Due to the tsunami that struck Sri Lanka on December 26, 2004, over 30,000 people died, as many as 4,000 are missing, and one year after the disaster, 500,000 people were still displaced. The tsunami caused US\$1 billion (4.9 percent of the GDP) in damages, and it is estimated that US\$1.8 billion is necessary for reconstruction.

On January 6, an emergency summit meeting for aid to disaster-stricken countries was held in Jakarta, and 45 countries, regions, and institutions announced donations totaling US\$4,362.49 million. On January 12, the Paris Club (a meeting of major creditor countries) agreed to grant a grace period on debt payments from the disaster-stricken countries. The seven advanced nations (G7) who are the main members of the club had already decided in Jakarta to extend the time period for debt payment, and at this meeting the number of countries extending such financial assistance expanded to 19. As a country eligible for this financial assistance, Sri Lanka had payment of US\$328 million deferred. Thailand and India, out of fear that acceptance of financial assistance would lower

their international creditworthiness, declined to request deferment of debt repayments. At the Sri Lanka Development Forum held in Kandy in May, approximately 50 countries, regions, and aid organizations participated, and US\$2.2 billion in funds was offered. There was concern over the possible outbreak of contagious diseases in the refugee camps, but thanks to this emergency assistance, no such crisis arose.

Reconstruction work is continuing without an institution to apportion the public aid funds from overseas. The government appointed the Task Force for Rebuilding the Nation (TAFREN) and Task Force for Relief (TAFOR), and they are taking charge of reconstruction and relief efforts. In addition to the government, while NGOs from overseas as well as regions and communities are productively undertaking reconstruction work and aid organizations are pairing up with areas in need, there are also areas which cannot be reached by assistance. The supply of goods is relatively smooth, but long-term support to attain self-support and post-traumatic psychological care need to be continued.

The government banned construction of housing within 100 meters of the coast in the south and within 200 meters of the coast in the north and east. However, due to opposition from residents, the buffer zone was revised to 25 to 50 meters in the south and 50 to 100 meters in the north and east.

FOREIGN RELATIONS

Relations with India

In the economic sphere and in tsunami reconstruction support, relations between Sri Lanka and India are proceeding satisfactorily. With regard to peace, India made the announcement that it supports the policies of the Sri Lankan government. However, India has not altered its cautious stance over actual intervention in the peace process.

Progress was made from the end of 2004 in ironing out differences for the signing of a military agreement between Sri Lanka and India. In return for signing the military agreement, Sri Lanka set forth various proposals for cooperation with India, including India's usage of the Trincomalee Port and the Palali military base in Jaffna and assistance in the Sethusamudram Ship Canal Project (dredging of the Palk Strait to enable passage by large ships). When the Indian deputy foreign minister visited Sri Lanka in May 2005, the relations between the two countries were

good, as evidenced by the declaration that India would wholeheartedly support the policy of the Sri Lankan government with regard to peace and the statement concerning regional security that “Sri Lanka’s security is India’s security.” Even in India’s 2005 annual report, the danger posed by LTTE was noted again, and so it was thought that the signing of the military agreement was imminent. In June, India’s foreign minister actually said, “[a Defence Cooperation Agreement between the two countries] is in the process of being finalised.” Despite this, the agreement was not signed. The primary reason is because differences could not be ironed out concerning usage of an airport in Jaffna. Sri Lanka was reluctant to acquiesce to India’s demand that usage of the airport be limited to their two countries.

With regard to peace in Sri Lanka, India did not alter its stance of supporting Sri Lanka as a unified nation, but simultaneously India maintained a certain distance from the peace process. For example, when President Mahinda made his first visit to India after his inauguration at the end of December, he anticipated India’s cooperation in achieving peace. Specifically, he anticipated that India would, at minimum, participate as cochair in peace conferences. However, with regard to Sri Lankan peace, India only reconfirmed its support for the “internal political process” which Sri Lanka and the LTTE had already agreed upon. In the joint statement, neither the words “unified nation” which Mahinda had used during the election campaign, nor the words “federal system” which elicited an adverse reaction from both the Sinhalese hardliners and the LTTE, was mentioned. Instead, the expression used was “maximum devolution which preserves the unity and territorial integrity of Sri Lanka” and thus neutrality was maintained.

The extreme caution of India with regard to the issue of peace in Sri Lanka was indicated when India’s deputy foreign minister visited Sri Lanka in May by the fact that he inspected Trincomalee and held talks with members of the Tamil National Alliance (TNA) but did not meet the LTTE leaders. This stood in strong contrast to the fact that representatives of other foreign countries visited the LTTE headquarters in Kilinochchi.

Relations with China

While India is unable to build a close relationship with Sri Lanka because of matters related to the LTTE and peace issues, China is a country that is increasing its presence in Sri Lanka. China was one of the first countries to announce its assistance for tsunami reconstruction, for which Sri Lanka

is grateful. China is actively carrying out a reconstruction assistance plan, and in April, Chinese Premier Wen Jiabao went to Sri Lanka and visited the sites where China was assisting with tsunami reconstruction. At the end of August, with domestic politics in disarray over the upcoming presidential election, President Kumaratunga visited China and endeavored to strengthen relations. With regard to economic matters, Sri Lanka sounded out China on funding for construction of a coal-fired power plant in Puttalam, construction of an oil reserve area in Hambantota, the laying of tracks for express trains on the 45 km route between Ratmalana and Katunayake, and construction of an expressway between Colombo and Katunayake. Signing of an agreement on the coal-fired power plant took place in the presence of President Kumaratunga and Premier Wen Jiabao. The construction of the power plant is to take place in three stages of 300 MW each. Despite the fact that it was decided at a cabinet meeting in February to place an order for the construction of this power plant with India's National Thermal Power Corporation (NTPC), this decision was overturned when the Chinese premier visited in April, and ultimately it was decided that China would handle the construction. (India proposed the Build Own Operate (BOO) method, and China proposed the Build Operate Transfer (BOT) method.) With regard to military matters, whereas it is difficult for India to conclude a military agreement with Sri Lanka that includes provision of weapons due to historical circumstances and domestic opposition, China faces no such restrictions. It appears that the relationship between Sri Lanka and China will continue to strengthen in the future.

ISSUES IN 2006

Given the frequent clashes since December, it was decided to hold talks between the government and the LTTE. However, it proved difficult to decide on the location of the talks. While the government sought to hold the talks domestically or within Asia, the LTTE wished to hold them in Norway. At last, talks were held in Switzerland on February 22 and 23, 2006. Intense exchanges took place, with the government demanding a review of the defects in the 2002 Ceasefire Agreement, and the LTTE demanding disarmament of armed groups. The content of the joint statement stated only that they would "observe the existing Ceasefire Agreement" and take "all necessary measures to ensure that there will be

no intimidation, acts of violence, abductions or killings.” Thus, the results of the talks left both parties dissatisfied.

What both parties desire the most is to avoid the resumption of war. However, in domestic politics, Sinhalese extremist groups are beginning to display threatening movements with regard to the president, who has not taken any clear action for peace. Discord between the LTTE and the Karuna group is also becoming conspicuous again. If no real progress is made in peace talks as was seen in 2002 and 2003, then the Ceasefire Agreement, which is already endangered, is likely to become even more imperiled.

The economy in 2005 was strong, buoyed by good weather and the inflow of funds from overseas for tsunami reconstruction. Essentially, the same trend is likely to continue in 2006. The course of peace negotiations is certain to greatly affect the economy.

IMPORTANT DATES IN 2005

January

- 6: Jakarta tsunami summit held. A joint statement was adopted welcoming the advanced countries' deferment of public debt repayment from disaster-stricken countries. Japan declared assistance of US\$500 million.
- 7: The president announced that she would directly control the tsunami aid activities.
- 8: UN Secretary-General Kofi Annan inspected Hambantota and Trincomalee. He did not enter the Liberation Tigers of Tamil Eelam (LTTE)-controlled area.
- 13: The government and the Tamil Rehabilitation Organisation (TRO) talked at Trincomalee. Matters became complicated by the government's demand for a list of distributed aid goods, and the LTTE left the talks.
- 21: The Norwegian foreign minister and the Sri Lankan president held talks concerning tsunami reconstruction and peace.
 - The LTTE political advisor Balasingham visited Sri Lanka and stated that Norway was attempting to set up a joint agency for aid distribution in LTTE-controlled areas.
- 24: The Patriotic National Movement (PNM) insisted that NGOs working in relation to tsunami assistance should be regulated.
- 28: The government and LTTE talked concerning reconstruction. Anton Balasingham stated that direct acceptance of aid goods has been abandoned.

February

- 7-9: The president visited Pakistan and signed a free trade agreement on February 9.
 - The LTTE's leader of the eastern political division was killed.
- 14: Anton Balasingham demands disarmament of militia groups by the government at a meeting in London with Norwegian representative Eric Solheim.
- 20: Former US president George H. W. Bush and former US president Clinton visited and went to Matara.
- 23: Janatha Vimukthi Peramuna (JVP) declared a firm refusal to talk based on the Interim Self Governing Authority (ISGA). Negotiations continued with LTTE.

March

- 1: Police announced the discovery of the remains of 29 persons from a train struck by the tsunami.
- 2: In Jaffna 10,000 people demonstrated against the government's attack of the LTTE and inadequate tsunami aid.

- 9: Anton Balasingham told Eric Solheim that the LTTE possesses aircraft and that it possessed them prior to the Ceasefire Agreement.
- 10: The LTTE sent a delegation to the EU.
- 17: Residents in the east who suffered damage from the tsunami petitioned the president to ease housing restrictions to less than 200 meters from the coast.
- 30: The LTTE threw a hand grenade into a vehicle carrying Eelam People's Democratic Party (EPDP) members.
 - LTTE leader Thamilchelvan talked with the Finnish foreign minister in Helsinki. He criticized the government for expanding its support of groups opposed to the LTTE despite the ceasefire.

April

- 1: The LTTE released seven child soldiers.
- 4: In Batticaloa, a worker from the Ministry of Vocational and Technical Training was attacked and by LTTE members and killed.
- 5: The Sri Lanka Monitoring Mission (SLMM) announced that the LTTE fired on a naval ship flying the SLMM flag. There were no injuries.
- 8: Chinese Premier Wen Jiabao visited. On April 9, a joint communique was released.
- 13: An LTTE group announced, from South Africa where it was visiting, its intention to restart negotiations
- 14: The president stated in her new year's address that the Joint Mechanism proposed by Norway would most likely be the basis for a lasting solution to the ethnic strife.
- 17: Eric Solheim visited and met with Muslim residents in Puttalam.
- 21: Five LTTE members were killed in a clash with the Karuna group (in Batticaloa).
- 23: Christina Rocca, Assistant Secretary for South Asian Affairs, stated that the US views the LTTE as a terrorist group and demands that it renounces violence.
- 28: Dharmeratnam Sivaram, a Tamil journalist, was kidnapped in Colombo and killed.

May

- 7: The president told government personnel that she failed to reach agreement with JVP concerning the establishment of a Joint Mechanism.
- 9: The Indian foreign minister said in an interview that he was concerned about LTTE possession of aircraft.
- 15: Sinhalese extremists set up a statue of Buddha near a bus stop in Trincomalee.
- 16-17: A donor country meeting was held in Kandy, attended by 125 countries and donor institutions.

- The Buddhist statue in Trincolmalee was destroyed by a hand grenade, following which stores were closed and transportation came to a standstill.
- 18: The former mayor of Trincomalee was shot and killed in front of his residence.
- 22: Anura Bandaranaike, Minister of Industry, Tourism, and Investment Promotion, set up an overseas office of the Board of Investment (BOI) in Bangalore, India.
- 28: Former US President Clinton, acting as a UN special envoy, criticized the LTTE for the crime of conscripting tsunami victims as child soldiers (in Colombo).

June

- 5: LTTE protested the fact that the government refused to transport LTTE members in a government helicopter.
- 6: The ethnic Sinhalese JHU deputy chairperson undertook a hunger strike, until June 11, at the Tooth Temple in Kandy, in protest against the Joint Mechanism.
- 10: The JVP chairperson announced that he would formally declare JVP's withdrawal from the coalition if the president did not retract the Joint Mechanism by June 15.
- 14: In Colombo, 10,000 JVP supporters rallied against the Joint Mechanism.
- 16: Thirty-nine JVP members of Parliament withdrew from the coalition.
 - The president stated that the purpose of the Post-Tsunami Operational Management Structure (P-TOMS) is to put the LTTE on the path toward joining the democracy.
- 18: India's Minister of Shipping announced that the ground-breaking ceremony for the Sethusamudram Ship Canal Project between India and Sri Lanka would be held in late June or early July in Madurai for security reasons.
- 23: The president held talks with leading Buddhist priests and handed them a paper on P-TOMS. The president repeatedly emphasized that P-TOMS would not threaten the security or territorial integrity of Sri Lanka.
- 24: P-TOMS was deliberated by the Parliament. JVP was strongly opposed. The police used tear gas on the 2,000 JVP supporters who gathered around the Parliament building. Parliament was adjourned until July 5.
- 27: JVP members claimed in court that P-TOMS was unconstitutional.
 - The World Bank and ADB released a joint statement saying that, despite the Ceasefire Agreement, the investment environment in Sri Lanka was unattractive due to political instability and lack of infrastructure.

July

- 2: The United National Party (UNP) held a massive demonstration march from southern cities, arriving in Colombo on July 12, to demand an early

- election (before December), a peace process led by Norway, and reduction of prices.
- 7: Foreign Minister Kadirgamar proposed a bill to put into practice an international treaty for preventing donations of funds to terrorism, and the bill was passed.
 - 10: LTTE members including Sea Tiger were killed by a hand grenade attack in Trincomalee.
 - 11: After learning of the murder of its members the previous day, LTTE warned of the possibility of resumption of the war.
 - 12: Demonstration held in Trincomalee. Eight police officers and soldiers working to suppress the demonstration were injured.
 - 13: LTTE withdrew more than 40 of its political affairs members from its eastern offices (Batticaloa, Trincomalee, and Ampara).
 - 15: The Supreme Court decided that a portion of P-TOMS was unconstitutional and ordered that implementation of that part be cancelled.
 - 19: The cochair of Sri Lankan peace warned that if the Ceasefire Agreement did not function, then the international assistance system would collapse. They insisted that the government and the LTTE needed to devise an emergency method for preventing murders.
 - 20: The LTTE warned that if the government did not take measures to stop attacks, the Ceasefire Agreement would disintegrate.
 - Thamilchelvan told Norway's deputy ambassador in Kilinochchi that he refused direct talks with the government. This was because the government was not implementing important articles of the Ceasefire Agreement.
 - 26: The president requested the cochair to clarify their stance in negotiations with the LTTE and to place pressure on the LTTE to halt violence.
 - The Sri Lanka Freedom Party (SLFP) chose Mahinda Rajapaksa as its candidate in the next presidential election.

August

- 12: An anti-LTTE television newscaster and her husband were killed by gunfire in Colombo.
 - Foreign Minister Kadirgamar was killed by an unidentified gunman at his residence. A state funeral was held on August 15.
- 18: The president sent a letter to the prime minister of Norway concerning the fact that she wanted an emergency meeting with the LTTE to reconsider the Ceasefire Agreement following the assassination of Foreign Minister Kadirgamar.
- 19: Anton Balasingham revealed on Tamilnet that talks would be held in Oslo at the end of August between the Sri Lankan government and the LTTE concerning reconsideration of the Ceasefire Agreement.
- 24: The UNP submitted one million signatures demanding the holding of a presidential election at the end of 2005 to the election committee.

- 26: The Supreme Court ruled that the presidential election should be held in 2005.
- 27: The UNP's presidential candidate, Ranil Wickremasinghe, launched his campaign.
- 30: The president visited China. A Sri Lanka–China joint communique was released on September 2.

September

- 5: The JVP announced that it would support the candidacy of Mahinda Rajapaksa, with conditions attached.
- 8: Mahinda signed an agreement with JVP on abandonment of the federal system plan, revision of the Ceasefire Agreement, and halting of privatization.
- 12: The president stated on state-owned media her wholehearted support for Mahinda Rajapaksa as presidential candidate.
- 13: Mahinda Rajapaksa signed an election agreement with JHU in Kandy.
- In Norway, the opposition labor party won the election, and the administration changed. In the new Cabinet, Eric Solheim was appointed as Norway's Minister of Development Cooperation.
- 19: The cochairs cautioned that although criticism involving the naming of names had been avoided in the assassination of Foreign Minister Kadirgamar, peace was facing its most serious trial.
- 26: The EU decided to refuse entry of LTTE members into EU countries. The EU is currently debating whether to designate the LTTE as a banned group.
- 27: The UNP publicly releases its presidential election manifesto.
- 30: SLFP leaders recognize that there is a rift between the president and the prime minister.

October

- 6: The Norwegian ambassador talked with the LTTE in Kilinochchi and requested the LTTE to stop violence and the recruitment of child soldiers. There was also discussion of the EU's refusal to allow entry by the LTTE.
- Near a newspaper company (in Colombo) connected with Douglas Devananda, a Eelam People's Democratic Party (EPDP) member of Parliament, a car bomb exploded.
- 11: The Sri Lankan government promised US\$100,000 for the Pakistan earthquake.
- 12: The headmaster of Central College in Jaffna was murdered in the college by the LTTE. The headmaster undertook construction of facilities and educational radio programs using funds from Douglas Devananda, and he was strongly opposed to the conscription of child soldiers by the LTTE.
- 14: The government announced that it would allow tsunami survivors to build houses near the coast. The distance restrictions were reduced from 100

meters to 25 to 50 meters in the south and from 200 meters to 50 to 100 meters in the east.

- 15: The former SLMM chief said during a visit to Sri Lanka that the Sri Lankan government and LTTE are in a state of war and public safety is in an extremely serious condition.
- 18: Mahinda released his manifesto (Mahinda Vision).
- 30: A military intelligence operative was murdered in Kiribathgoda.

November

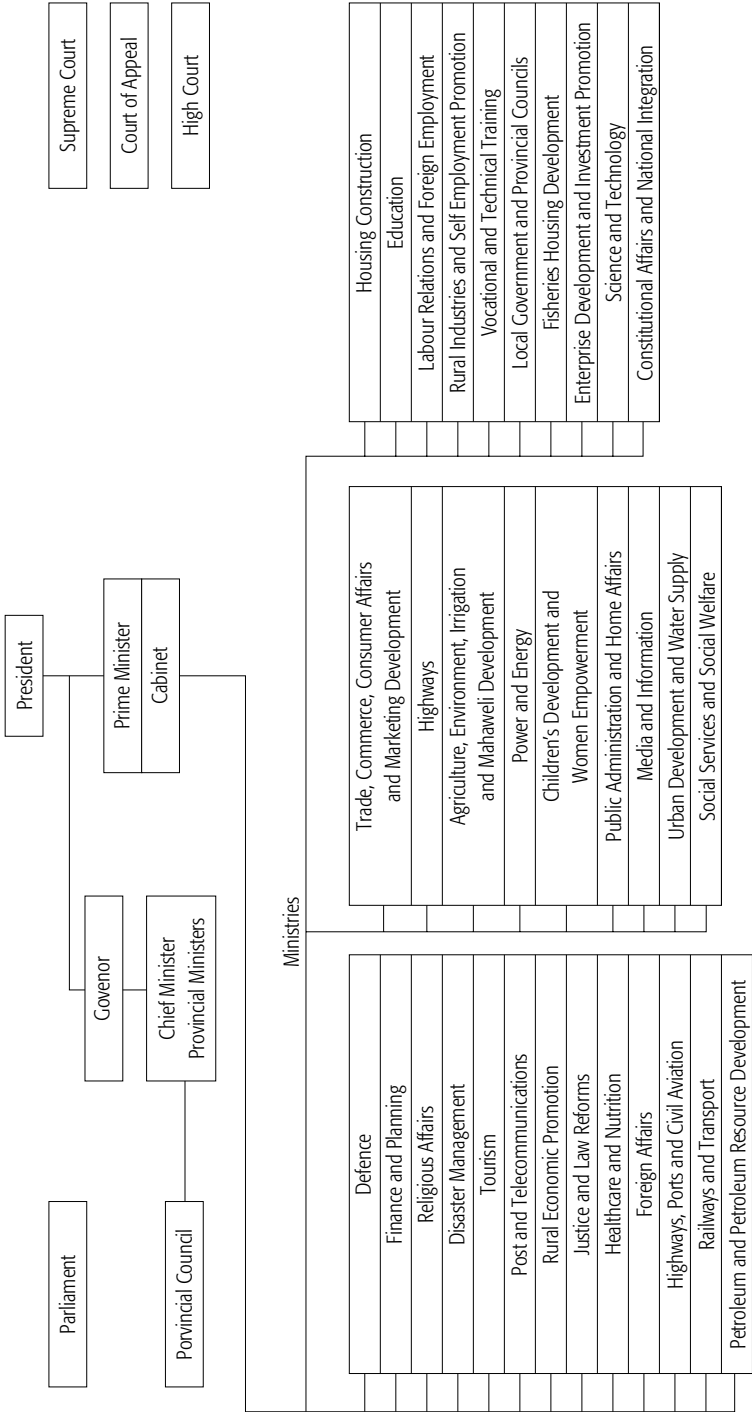
- 6: It was reported that the LTTE would maintain neutrality in the election.
- 8: The budget bill was submitted to Parliament. The opposition parties were absent in protest of the submission of the bill prior to the election.
- 13: South Asian Association for Regional Cooperation (SAARC) summit meeting was closed after adopting the Dhaka Declaration which mentioned regional cooperation against terrorism and cooperation for a disaster response system as well as poverty reduction.
- 17: The fifth presidential election was held. The election committee announced that voting was unrestricted and fair.
- 23: The president appointed 25 Cabinet members and 52 vice ministers and ministers without portfolios. The president himself held dual office as Minister of Defence, Public Security, Law and Order and Minister of Finance and Planning.
 - Tamil people living in Europe held an anti-LTTE demonstration in Brussels seeking to ban activities of the LTTE in the EU.
- 25: The new session of Parliament opened. The president declared the signing again of a Ceasefire Agreement that is effective in preventing terrorism.
- 27: Prabhakaran, leader of the LTTE, made a speech during Hero's Week, declaring that fighting would be intensified if the new president did not meet the political wishes of the Tamils in 2006.

December

- 3: At least two Tamils died in a clash between Tamils and Muslims. The military was sent to Trincomalee.
- 4: A military truck hit a landmine in Jaffna and six soldiers were killed.
- 6: Seven government soldiers were killed by a landmine in Jaffna.
 - LTTE killed four members of the Karuna group including a commander in Ampara.
- 7-11: Akashi, a representative of the Japanese Government (in charge of peace-building and restoration/reconstruction in Sri Lanka) visited and offered to mediate talks between the government and LTTE.
- 19: The military fired into the air during a student demonstration in Jaffna.
- 20: The cochair sought to halt the violence in the Sri Lankan peace process (in Brussels).

- Students carrying sticks, chains, and rocks attacked a military jeep near Jaffna University.
- 22: The LTTE attacked a military ship off the coast of Talaimannar.
- 23: A bus carrying navy personnel was attacked in Mannar and 13 died.
- 24: The cochair, excluding the United States, met with Thamilselvan.
 - In Jaffna at least five LTTE members died as a result of a clash with the military.
 - Joseph Pararajasingham, a member of Parliament on the National List of the Tamil National Alliance (TNA) was shot and killed by an unidentified gunman while attending Christmas mass in Batticaloa.
- 27–30: The president visited India and announced a joint statement on December 30.
 - Ten soldiers died due to a landmine in Jaffna.
- 29: SLMM warned that the resumption of war in Sri Lanka was not distant.
- 31: The police and military undertook a large-scale search in Colombo and took 903 Tamils into custody.

APPENDIX 16.1: STATE ORGANIZATION CHART



APPENDIX 16.2: LIST OF GOVERNMENT CABINET MEMBERS

PRESIDENT

President, Defense and Finance : Mahinda Rajapaksa

CABINET MINISTERS

Disaster Management : Prime Minister Ratnasiri Wickremanayake

Tourism: Anura Bandaranaike

Post and Telecommunications, Rural Economic Promotion: D.M. Jayaratne

Justice and Law Reforms: Amarasiri Dodangoda

Healthcare and Nutrition: Nimal Siripala de Silva

Foreign Affairs, Ports and Civil Aviation: Mangala Samaraweera

Railways and Transport, Petroleum and Petroleum Resource Development: A.H.M. Fowzie

Trade, Commerce, Consumer Affairs and Marketing Development, Highways: Jeyaraj Fernandopulle

Agriculture, Environment, Irrigation and Mahaweli Development: Maitripala Sirisena

Power and Energy: W.D.J. Seneviratne

Children's Development and Women Empowerment: Sumedha G. Jayasena

Public Administration and Home Affairs: Dr. Sarath Amunugama

Media and Information: Anura Priyadarshana Yapa

Urban Development and Water Supply: Dinesh Gunawardena

Social Services and Social Welfare: Douglas Devananda

Housing Construction: Ferial Ashraff

Education: Susil Premajayantha

Labor Relations and Foreign Employment: Athauda Seneviratne

Rural Industries and Self Employment Promotion: S.B. Navinna

Vocational and Technical Training: Piyasena Gamage

Local Government and Provincial Councils: Janaka Bandara Tennekoon

Fisheries Housing Development: A.L.M. Athaullah

Enterprise Development and Investment Promotion: Rohitha Bogollagama

Science and Technology: Prof. Tissa Vitharana

Constitutional Affairs and National Integration: D.E.W. Gunasekara

NON-CABINET MINISTERS

Plantation Industries: Milroy Fernando
Sports and Youth Affairs: Jeevan Kumaranatunga
Samurdhi and Poverty Alleviation: Pavithra Wanniarachchi
Indigenous Medicine: Tissa Karaliyadda
Fisheries and Aquatic Resources: Felix Perera
Estate Infrastructure and Livestock: C.B. Ratnayake
Coconut Development: Salinda Dissanayake
Cultural and National Heritage: Mahinda Yapa Abeywardena
Parliamentary Affairs: Prof. Wiswa Warnapala
Fisheries Housing Development: M.N. Abdul Majid
Resettlement: A. Risath Bathiyutheen
Disaster Relief Services: Ameer Ali Shihabdeen
Home Affairs: Chandrasiri Gajadeera
Agriculture Development: Chamal Rajapakse
Industrial Development: Kumar Welgama
Highways: T.B. Ekanayake
Foreign Employment Promotion: Rohitha Abeygunawardena
Irrigation: Anwer Ismail
Agrarian Services and Farmer Community Development: S.M. Chandrasena
Zoological and Botanical Gardens Promotion: Bandula Basnayaka
Regional Development: Gunaratna Weerakoon
Skills and Employment: Sripathy Sooriyaarachchi
New Railway Track Development: Mahinda Amaraweera
Rural Livelihoods Development: Jagath Pushpa Kumara
Textile Industries: Jayatissa Ranaweera
Public Bank Development: Wijedasa Rajapakse

DEPUTY MINISTERS

Defence: Ratnasiri Wickremanayake
Rural Economic Promotion: Milroy Fernando
Science and Technology: Salinda Dissanayake
Religious Affairs: Tissa Karaliyadde
Justice and Judicial Reforms, Constitutional Affairs and National Integration: Dilan Perera
Local Government and Provincial Councils: M.N. Abdul Majid
Fisheries Housing Development: Chandrasiri Gajadeera
Enterprise Development and Investment Promotion, Social Services and Samurdhi Welfare: Jagath Pushpakumara
Mahaweli, Children's Development and Women Empowerment: Ranaweera A. Jayatissa

Public Administration: T.B. Ekanayake

Nation Building and Development: D.M. Dassanayake

Labor: Mervyn Silva

Environment and Irrigation: Pandu Bandaranayake

Power: Mahindananda Aluthagamage

Urban Development and Water Supply: Mahinda Amaraweera

Healthcare and Nutrition: Jayaratna Herath

Highways: Dayasritha Tissera

Ports and Civil Aviation: Duminda Dissanayake

Finance and Planning ,Higher Education: Ranjith Siyambalapaitiya

Post and Telecommunications: Rohitha Abeygunawardena

Rural Industries and Self Employment Promotion: Premalal Jayasekara

Housing and Construction: Gunaratna Weerakoon

Transport: Lasantha Alagiyawanna

Enterprise Development and Investment Promotion: Suriya Sripathi

Consumer Services and Agriculture Marketing Development: Siripala
Gamlath

Finance and Planning: Rohana Dissanayake

Plan and Plan Implementation: H.A. Hussein Bhaila

Education: Nirmala Kotelawala

Trade and Commerce: H.R. Mithrapala

Media and Information: Cegu Isadeen

Foreign Affairs: Wijedasa Rajapakse

Tourism : Arjuna Ranatunga

APPENDIX 16.3: MAJOR STATISTICS

1. General

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|-------|-------|-------|--------|--------|
| Population (million) | 18.7 | 19.0 | 19.2 | 19.4 | 19.6 |
| Labour force (million) | 6.7 | 7.1 | 7.6 | 8 | 8.2 |
| Consumer price index (annual aver. change, %) | 14.2 | 9.6 | 6.3 | 7.6 | 11.6 |
| Unemployment rates (%) | 7.8 | 9.1 | 8.4 | 8.3 | 7.7 |
| Exchange rates (US\$1=rupees) | 89.36 | 95.66 | 96.52 | 101.19 | 100.49 |

Source: Central Bank of Sri Lanka, *Recent Economic Developments Highlight of 2005 and Prospects for 2006*, Key Economic Indicators.

2. Gross National Product by Type of Expenditure (at current prices)

| | (Million rupee) | | | | |
|--|-----------------|-----------|-----------|-----------|-----------|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| Consumption expenditure | 1,185,482 | 1,353,428 | 1,481,164 | 1,706,823 | 1,968,654 |
| Private | 144,441 | 139,311 | 139,268 | 164,716 | 202,942 |
| Government | 1,041,041 | 1,214,117 | 1,341,896 | 1,542,107 | 1,765,712 |
| Gross domestic capital formation | 309,684 | 334,804 | 388,757 | 507,188 | 625,793 |
| Private sector and public corporations | 42,366 | 31,922 | 40,766 | 45,261 | 64,571 |
| Government | 267,318 | 302,882 | 347,991 | 461,927 | 561,222 |
| Exports of goods and non-factor services | 525,398 | 570,833 | 632,907 | 738,687 | 805,426 |
| Imports of goods and non-factor services | 613,167 | 677,180 | 741,667 | 923,258 | 1,043,706 |
| Gross domestic product at market prices | 1,407,397 | 1,581,885 | 1,761,161 | 2,029,440 | 2,356,167 |
| Growth rate of GDP (real) | -1.5 | 4.1 | 6.0 | 5.4 | 5.3 |
| Net factor income from abroad | -23,830 | -24,174 | -16,535 | -20,688 | -28,654 |
| Gross national product at market prices | 1,382,220 | 1,559,867 | 1,741,763 | 2,016,506 | 2,345,852 |

Source: Central Bank of Sri Lanka, *Recent Economic Developments Highlight of 2005 and Prospects for 2006*, Table 3.

3. Gross Domestic Product by Industries (at constant 1996 prices)

(Million rupee)

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---------|---------|---------|---------|-----------|
| Agriculture | 169,377 | 173,623 | 176,450 | 175,149 | 174,615 |
| Mining & quarrying | 15,019 | 14,858 | 15,699 | 16,946 | 18,093 |
| Manufacturing | 142,909 | 145,864 | 151,951 | 159,696 | 1,687,614 |
| Electricity, water & gas | 12,130 | 12,044 | 14,651 | 14,282 | 17,010 |
| Construction | 61,292 | 60,796 | 64,115 | 68,332 | 72,638 |
| Wholesale and retail trade | 181,733 | 191,505 | 206,507 | 218,993 | 227,011 |
| Transport, storage & communication | 105,497 | 113,525 | 125,538 | 142,680 | 161,927 |
| Financial services, real estate & business services | 91,457 | 99,820 | 108,590 | 114,661 | 119,512 |
| Public administration, defence, other social activity, social and personal services | 64,381 | 65,213 | 66,556 | 69,154 | 72,173 |
| Gross domestic product (GDP) | 843,795 | 877,248 | 930,057 | 979,894 | 1,031,593 |

Source: Central Bank of Sri Lanka, *Recent Economic Developments Highlight of 2005 and Prospects for 2006*, Table 2.

4. Imports and Exports

(Million rupee)

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|--------------------|----------|----------|----------|----------|-----------|
| Import | 430,372 | 449,849 | 495,426 | 583,967 | 638,276 |
| Agriculture | 83,252 | 89,681 | 93,069 | 107,951 | 116,043 |
| Industry | 331,687 | 347,656 | 83,833 | 457,174 | 497,694 |
| Mining | 7,666 | 8,628 | 8,069 | 12,103 | 14,404 |
| Other | 7,767 | 3,883 | 10,454 | 6,737 | 10,134 |
| Export | 532,964 | 584,491 | 643,749 | 811,138 | 891,358 |
| Consumer goods | 100,276 | 113,753 | 129,656 | 146,073 | 151,021 |
| Intermediate goods | 306,305 | 346,784 | 380,931 | 489,688 | 5,149,004 |
| Investment goods | 96,185 | 112,046 | 127,363 | 169,096 | 188,061 |
| Other | 30,198 | 11,906 | 5,798 | 6,280 | 3,271 |
| Balance of trade | -102,592 | -134,641 | -148,322 | -227,170 | -253,082 |

Source: Central Bank, *Annual Report*.

5. Balance of Payments

| | (US\$ million) | | | | |
|---------------------------------|----------------|----------|----------|----------|----------|
| | 2001 | 2002 | 2003 | 2004 | 2005* |
| Trade balance | -1157.4 | -1406.4 | -1538.8 | -2242.5 | -2806.0 |
| Service, net | 240.9 | 294.7 | 398.6 | 419.0 | 436.0 |
| Income, net | -280.9 | -252.8 | -171.6 | -203.7 | -285.4 |
| Goods, services and income, net | -1,197.4 | -1,364.5 | -1,311.8 | -2,027.2 | -2,655.4 |
| Current transfers, net | 1,005.3 | 1,128.2 | 1,240.3 | 1,379.6 | 1,592.1 |
| Current account | -192.1 | -236.3 | -71.5 | -647.6 | -1,063.3 |
| Capital account | 196.7 | 65.0 | 73.8 | 63.5 | 268.3 |
| Financial account | 338.6 | 377.9 | 648.3 | 571.6 | 825.7 |
| Long term | 163.4 | 275.1 | 723.8 | 684.0 | 748.4 |
| Direct investment | 172.2 | 185.5 | 201.4 | 227.0 | 295.3 |
| Private, long term | -257.2 | -22.5 | -31.9 | 18.2 | 44.8 |
| Government, long term, net | 248.5 | 112.1 | 554.3 | 438.8 | 408.3 |
| Short term | 175.2 | 102.8 | -75.5 | -112.4 | 77.3 |
| Errors and omissions | -123.0 | 38.2 | -148.5 | -192.7 | 0.0 |
| Overall balance | 220.2 | 337.8 | 502.1 | -205.2 | 295.2 |

Source: Central Bank of Sri Lanka, *Recent Economic Developments Highlight of 2005 and Prospects for 2006*, Table 11.

Note: * Estimated figures based on data to September 2005, inclusive.

